



## **Management's Discussion and Analysis**

### **For the Six Month Period Ended June 30, 2013**

The following Management's Discussion and Analysis ("MD&A") provides additional analysis of the operations and financial position of Aylene Capital Inc. ("Aylene" or the "Company"). It is supplementary information and should be read in conjunction with the Company's financial statements and accompanying notes for the six month period ended June 30, 2013 and the year ended December 31, 2012.

Aylene was incorporated on October 28, 2010 as a wholly-owned subsidiary of Centiva Capital Inc. ("Centiva"). On September 30, 2011, a plan of arrangement (the "Arrangement") was completed pursuant to Section 192 of the Canada Business Corporations Act, whereby Centiva and Aylene entered into an agreement to distribute the existing assets of Centiva to shareholders by way of the Arrangement. Under the terms of the Arrangement, all of the existing assets and liabilities of Centiva were transferred to Aylene in exchange for 16,856,532 shares of Aylene and a \$842,832 promissory note. The Arrangement was approved by Centiva shareholders at a special meeting held on September 23, 2011 and by the Superior Court of Justice on September 27, 2011. The effective date of the transfer was October 31, 2011. On the same date Centiva changed its name to Spackman Equities Group Inc. ("SEGI").

Centiva transferred all of its then existing assets and liabilities, other than those relating to the new equity and tax losses, to Aylene in exchange for common shares of Aylene. The assets which were transferred to Aylene from Centiva consist of an equity interest in a technology-based company, VFM Leonardo Inc., a technology-based business, Grapevine Solutions, and a portfolio of marketable securities. Grapevine Solutions ("Grapevine"), an unincorporated division of Aylene, operates a web-based survey and data collection business.

### ***Basis of Presentation of Financial Information***

The Company's financial statements for the year ended December 31, 2012 contain comparative results for 2011 and 2010 which combine the results of Centiva for the period from January 1 to October 31, 2011 and Aylene for the period November 1 to December 31, 2011 and Centiva's results for 2010. The combined results were prepared on the basis that Aylene and Centiva were under common control and accordingly, and while being considered two separate legal entities after October 31, 2011 without any cross ownership, the results are presented on a combined basis until that date to provide users with the necessary information to evaluate it as such. Any intercompany transactions have been eliminated in the combined results. In the MD&A financial information and analysis relating to 2011 combines the results of Centiva and Aylene as stated above.

Note 2 to the December 31, 2012 financial statements provides additional information on the basis of presentation of the information in the December 31, 2012 financial statements including the combined results of Centiva and Aylene for 2011 and 2010.

## **Forward Looking Statements**

*Included in this MD&A are matters that constitute "forward-looking" information within the meaning of Canadian securities law. Such forward-looking statements may be identified by words such as "plans", "proposes", "estimates", "intends", "expects", "believes", "may" or words of a similar nature. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially include among others, regulatory risks, risk inherent in foreign operations, commodity prices and competition. Most of these factors are outside the control of the Company. All subsequent forward-looking statements attributable to the Company or its agents are expressly qualified in their entirety by these cautionary comments. Except as otherwise required by applicable securities statutes or regulation, the Company expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.*

## **Overall Performance in the Second Quarter 2013**

Aylen has investments in marketable securities, a venture investment in VFM Leonardo Inc. and its Grapevine business. The North American economy, particularly in the US where the majority of Grapevine's customers reside, was largely unchanged in the second quarter of 2013 and the revenues of the Grapevine business in the second quarter of 2013 were in line with the performance of the business in 2012. North American financial markets improved somewhat in the second quarter of 2013 and as a result Aylen recorded a small unrealized gain in its portfolio of marketable securities of \$3,000 for the quarter. At June 30, 2013, the Company had cash of \$51,000, investments in marketable securities of \$346,000 and a venture investment totalling \$1,844,000.

## **The Grapevine Business**

Grapevine, which operates as a division of Aylen, was acquired by Centiva in October 2007 from TriNorth Capital Inc. ("TriNorth"). For accounting purposes, TriNorth's carrying value for Grapevine was nil and the acquisition of Grapevine was recorded at that carrying value. The Grapevine assets which were acquired were comprised of software, customer lists, trademarks and office equipment.

Grapevine's business is based in Markham, Ontario and it consists of licensing and selling web-based survey and data collection software to third parties, most of whom are companies based in North America. Its software is used to perform customizable employee evaluations, employee surveys, customer surveys, training surveys, web polls and data collection surveys. The business has three full-time employees and engages consultants to provide software programming and upgrading and design services.

The primary business objectives for Aylen over the next 12 months are to continue to grow the revenues of the Grapevine business and to establish Grapevine as a leading Human Resources online survey firm in North America. Grapevine's leading product offering is 360° employee evaluations, and the software for this product was upgraded in 2012.

The following is a summary of selected financial information for Grapevine extracted from the audited financial statements of Aylen and Centiva.

		<u>Year ended December 31</u>	
	<b>2012</b>	<b>2011<sup>(1)</sup></b>	<b>2010<sup>(1)</sup></b>
Sales Revenues	645,797	480,656	450,337
Selling Expenses	422,300	406,742	393,221

<sup>(1)</sup> As noted under Basis of Presentation of Financial Information and in Note 2 to the December 31, 2012 financial statements, the results for 2011 and 2010 combine the results for Aylen and Centiva.

In addition to Grapevine's revenues of \$646,000 for 2012, Aylen recorded \$232,000 deferred revenue as at December 31, 2012, relating to unearned subscription fees. In addition to Grapevine's revenues of \$481,000 for 2011, Aylen recorded \$157,000 deferred revenue as at December 31, 2011, relating to unearned subscription fees.

In the first six months of 2013 Grapevine had revenues of \$306,000 and Aylen recorded deferred revenue of \$207,000, relating to unearned subscription fees.

Grapevine's revenues have increased in 2010, 2011 and 2012 as a direct result of a gradual improvement in the US economy where the majority of Grapevine's revenues originate and as a result of more effective sales and marketing efforts. The majority of Grapevine's sales are made in US dollars and a stronger Canadian dollar has a negative impact on revenues which are recorded in Canadian dollars.

## ***Investments***

### **VFM Leonardo Inc.**

At June 30, 2013 Aylen owned a 4.4 % equity interest in VFM Leonardo Inc. ("VFM"), 11.6 % on a fully-diluted basis, should all warrants and options be exercised. At June 30, 2013 Aylen owned 3,075,359 common shares, 2,436,658 Class A convertible preference shares and 12,000,000 warrants to purchase common shares in the capital of VFM. The warrants have an expiry date of March 1, 2014 and an exercise price of \$0.001 per warrant. The Class A and Class B preference shares have a priority over the common shares on liquidation, winding-up and sale of the company. The Class A preference shares which are owned by Aylen represent approximately 2.6% of all outstanding Class A and Class B preference shares.

VFM, which is headquartered in Toronto, Ontario, has developed an online video and rich media advertising platform and distribution network that allow advertisers to distribute informational rich media marketing content to highly targeted consumers across thousands of relevant sites and electronic channels. Currently, VFM provides off-platform technology-driven rich-media solutions, connectivity and interactivity for the hotel, lodging and the online travel distribution industries. VFM's end-to-end media management and distribution solution is a content "hub" that aggregates hotel and travel-related digital rich media content such as videos, 360° virtual tour images, Flash productions and still images, and automates its distribution to travel websites and any other points of contact where rich media can be viewed by consumers researching and booking travel accommodations.

VFM is the world's largest provider and distributor of online visual content for the hotel and travel industry. VFM's content library includes more than one million digital photographs, videos and 360° virtual tours for over 80,000 hotels and resorts worldwide. Through VScope®, VFM distributes this content to its online media network of all four Global Distribution Systems, Pegasus and 30,000 plus travel-related channels including online travel agencies, travel research and supplier web sites, search portals and major travel intermediaries. VFM's online media network includes industry leaders such as Sabre, Galileo, Travelocity, Orbitz, Priceline, Tripadvisor, Yahoo! Travel, Kayak, Google and more. For more information, visit VFM's website at [www.vfmleonardo.com](http://www.vfmleonardo.com).

## Portfolio Investments

Aylen's portfolio investments consist of a broadly diversified selection of Canadian and U.S. dividend producing instruments, securities and equities. At June 30, 2013, the market value of the portfolio investments was \$346,000. The portfolio is managed by a group of four independent managers.

The portfolio is invested approximately as follows:

	June 30, 2013	December 31, 2012
	(%)	(%)
Canadian Equities		
Canadian Diversified Income	23.8	26.8
Canadian Large Cap Equity	25.9	25.5
	<b>49.7</b>	<b>52.3</b>
International Equities		
US Large Cap Equity	26.0	23.5
International Equities	24.3	24.2
	<b>50.3</b>	<b>47.7</b>
	<b>100.0</b>	<b>100.0</b>

The portfolio realized a gain of \$3,000 in the second quarter of 2013, and a gain of \$4,000 for the six months ended June 30, 2013.

## Results of Operations

Grapevine had sales revenue of \$158,000 and selling expenses of \$91,000 for the second quarter ended June 30, 2013 (sales revenue of \$134,000 and selling expenses of \$88,000 for the second quarter of 2012. Sales revenue for the six months ended June 30, 2013 was \$306,000 (six months ended June 30, 2012: \$345,000) with selling expenses of \$187,000 (six months ended June 30, 2012:\$194,000).

The Company's other primary source of revenue arises from interest and other income from its cash and marketable securities, which for the second quarter of 2013 was \$3,000 (\$4,000 for the second quarter of 2012).

Under the provisions of IAS 39 Financial Instruments – Recognition and Measurement and IAS 32 Financial Instruments –Presentation and IFRS 7 Financial instruments - Disclosure, unrealized mark-to-market gains and losses on the Company's portfolio of marketable securities held for trading are recognized in computing net income. Such amounts totalled unrealized gains of \$3,000 in the second quarter of 2013. A gain of \$3,000 was realized for the second quarter of 2013 on the sale of marketable securities.

General and administrative expenses were \$118,000 for the second quarter of 2013 and \$207,000 for the six months ended June 30, 2013 (\$86,000 for the second quarter of 2012 and \$190,000 for the six months ended June 30, 2012). The increase in expenses in the second quarter was mainly due to the costs incurred in filing a prospectus to qualify the Company as a reporting issuer. For the year ended December 31, 2012 general and administrative expenses were \$390,000.

As a result of the foregoing, the Company recorded a net loss and comprehensive loss of \$43,000 (\$0.002 per share) for the second quarter of 2013 (a net loss and comprehensive loss of \$70,000 (\$0.004 per share) for the second quarter of 2012).

Under the provisions of IAS1 - Presentation of financial statements, IFRS7 Financial Instruments – Disclosure, IAS 32 – Financial Instruments – presentation, IAS 39 Financial Instruments- recognition and measurement, unrealized gains and losses on the Company's publicly-traded investments available for sale are recognized in other comprehensive income, net of taxes. There is no other comprehensive income in the current period and for the year.

### Summary of Quarterly Information

	Quarter to June 30 2013	Quarter to March 31 2013	Quarter to December 31 2012	Quarter to September 30 2012	Quarter to June 30 2012	Quarter to March 31 2012	Quarter to December 31 2011 <sup>(1)</sup>	Quarter to September 30 2011 <sup>(1)</sup>
Revenue								
Sales	157,488	148,507	\$143,886	\$156,985	\$134,410	\$210,516	\$105,536	\$131,337
Interest and investment income	2,999	2,193	3,067	2,659	3,591	2,896	3,585	3,596
Gain (loss), realized and unrealized, on marketable securities	5,900	21,083	8,206	21,489	(32,296)	23,246	(31,145)	(306,009)
Net Income (Loss)								
Total	(42,695)	(14,779)	(89,347)	(9,912)	(69,673)	26,836	(383,829)	(349,816)
Per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Per share (diluted)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Comprehensive Income (Loss), being increase (decrease) in fair value of publicly- traded investments available for sale	-	-	-	-	-	-	-	269,889
Comprehensive (Loss) income	(42,695)	(14,779)	\$(89,347)	\$(9,912)	\$(69,673)	\$26,836	\$(383,829)	\$(79,927)

(1) As noted under Basis of Presentation of Financial Information and in Note 2 to the December 31, 2012 financial statements, the quarterly results for 2011 and 2010 combine the results for Aylen and Centiva.

*Revenues at Grapevine are subject to the influences of North American economic conditions and are also subject to some seasonal fluctuations. The demand for Grapevine's product offerings, which consist primarily of surveys and polls for businesses, including employee surveys and evaluations, is directly affected by economic conditions generally. In difficult economic times such as the period from 2008 to 2010, businesses tend to reduce discretionary spending, which would include Grapevine's products and conversely in more robust economic times spending on discretionary items tends to increase. In addition there is a limited amount of seasonality to Grapevine's revenues. Businesses tend to conduct the majority of employee surveys and polls at or towards the end of the calendar year and sales tend to slow down in the summer months due to vacations. As a result Grapevine's revenues are somewhat stronger in the fourth and first quarter and tend to be somewhat softer in the second and third quarters.*

### Liquidity and Financial Position and Capital Resources

The Company's ability to generate sufficient cash to fund its operations and working capital requirements depends upon the following factors: (i) the ability of the Grapevine business to generate positive cash

flow, and (ii) the interest, other income and proceeds, if any, from the sales of the Company's portfolio of marketable securities. Grapevine's ability to generate positive cash flow from its business requires it to have revenues in excess of its costs. The table set out below shows Grapevine's revenues and costs for the years 2010, 2011 and 2012 and the six months ended June 30, 2013 and the net amount of cash generated by Grapevine and the portfolio of marketable securities which is available to fund other Company expenses. Historically, the cash generated by Grapevine and from the interest and gains from the portfolio of marketable securities has not been sufficient to cover the Company's general and administrative expenses and the Company has experienced negative cash flow and negative working capital as shown in the following table.

### Summary of Negative Cash Flow and Negative Working Capital

	<b>Six Months Ended June 30, 2013 (Unaudited)</b>	<b>2012</b>	<b>2011<sup>(1)</sup></b>	<b>2010<sup>(1)</sup></b>
Grapevine Revenues	305,995	645,797	480,656	450,337
Grapevine Costs	187,208	422,300	406,742	393,211
Interest, other income	5,192	12,311	15,128	16,646
Net Amount of cash available to fund other Company expenses	123,979	253,808	89,042	73,772
Proceeds from sale of marketable securities, net of purchase	41,715	112,612	153,810	401,081
Company's working capital (before deducting promissory note payable)	129,350	185,352	322,473	596,632

(1) As noted under Basis of Presentation of Financial Information and in Note 2 to the December 31, 2012 financial statements, the results for 2011 and 2010 combine the results for Aylen and Centiva.

At June 30, 2013, the Company had working capital of \$129,000 after deducting deferred revenue of \$207,000 but before deducting the promissory note. At December 31, 2012 working capital calculated on the same basis was \$185,000. With respect to the Company's working capital requirements, the general and administrative expenses of the Company were \$118,000 in the second quarter of 2013 (\$86,000 in the second quarter of 2012 and \$390,000 in 2012). The general and administrative expenses for the 2012 year are representative of the approximate amount of general and administrative expenses which would likely be incurred by the Company in a year in the normal course of business. It is not likely that the cash generated by Grapevine and the interest and gains from the portfolio of marketable securities will be sufficient to cover all of the Company's operating expenses. In such event the Company will need to raise cash from the sale of marketable securities or other assets or from the sale of equity to continue its operations.

Current liabilities were \$309,000 at June 30, 2013, and this amount includes 207,000 of deferred revenue which represents the unearned portion of subscription fees collected from customers amortized on a straight – line basis over the remaining life of the contract. At December 31, 2012 current liabilities were \$334,000 including \$232,000 of deferred revenue.

The portfolio of marketable securities included in working capital together with cash and cash equivalents was \$346,000 at June 30, 2013 (\$361,000 at December 31, 2012). Accounts receivable included in working capital were \$30,000 at June 30, 2013 (\$30,000 at December 31, 2012). Aylen has sufficient cash and cash equivalents and marketable securities to provide liquidity to the Company for the next 12 months.

These capital resources, along with the income and gains, if any, from the marketable securities, and the income, if any, from the operations of Grapevine, are used to fund Aylen's financial requirements.

### ***Analysis of Financial Condition and Financial Performance***

The financial condition of the Company is directly dependent on the performance of Grapevine and the performance of the portfolio of marketable securities. In the second quarter of 2013 Grapevine's revenues were \$158,000. This was in line with Grapevine's revenues of \$646,000 for 2012 which was an increase of 34% over 2011. The portfolio of marketable securities decreased to \$346,000 at June 30, 2013, a decrease of \$15,000 from the value at December 31, 2012. The decrease in marketable securities in the first six months of 2013 was primarily the result of the sale of securities to fund operations.

The majority of Grapevine's customer base resides in the US. The products offered by Grapevine are heavily focused on the human resources sector of businesses and include products such as employee surveys and evaluations. These products represent discretionary, non-critical expenses for most businesses. In difficult economic times, such as the period from 2007 to 2010 in North America, businesses in general often try to reduce discretionary spending as a first measure to survive during the period of reduced demand for their goods and services. The modest economic recovery which began in early 2010 has had a beneficial effect on Grapevine's business which saw its revenues increase to \$480,000 in 2011 and \$646,000 in 2012. Grapevine's revenues of \$158,000 in the second quarter of 2013 (\$306,000 for the six months ended June 30, 2013) were substantially in line with the revenues in the 2012 year.

### ***Related Party Transactions***

In the second quarter of 2013 the Company paid legal fees in the amount of \$8,000 (\$nil in second quarter of 2012 and \$11,000 in 2012) and paid rent for office space in the amount of \$7,000 (\$7,000 in second quarter of 2012 and \$27,000 in 2012) to a law firm of which a partner and an associate are parties related to the Company.

### ***Commitment***

The Company has contracted with a third party to provide operations and sales management services to Grapevine for an annual fee of \$103,600 plus applicable taxes. The contract may be terminated by either party on one month's notice. If the Company terminates the contract it will be liable to pay a termination fee equal to four (4) months compensation under the contract.

### ***Risk Factors and Risk Management***

Aylen shareholders and potential investors in Aylen should carefully consider the following risk factors and all the other information contained in this prospectus when evaluating Aylen and its common shares.

An investment in Aylen's shares involves a number of risks, many of which are beyond its control. The risks and uncertainties set out below are all of the known risks which are deemed to be material to the Company's business or the results of its operations. When reviewing forward-looking statements and other information contained in this prospectus, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry-specific factors that may adversely affect the Company's future results. If any of these risks should actually occur, the Company's business, financial condition, results of operations, cash flows and prospects could be harmed. Such risks and uncertainties are not the only ones the Company faces. Additional risks and uncertainties of which the Company is currently unaware or that are deemed immaterial may also adversely affect the Company's business, financial condition, results of operations, cash flows and prospects.

## **Limited Cash and Working Capital and Negative Cash Flows**

Historically, the Company and Centiva have had negative cash flow from operating activities and have had to fund their operations with cash on hand and the sale of marketable securities. The Company's cash on hand and marketable securities at quoted market value less liabilities (other than the promissory note which is payable only out of the proceeds of sale of assets) at June 30, 2013 was \$88,000 (December 31, 2012: \$137,000). This amount may prove to be inadequate to continue to fund the Company's operations beyond the next 12 months in which case the Company would have to sell assets such as the Grapevine business, or raise funds through the sale of additional equity or a combination of those two things, failing which it would have to discontinue its operations. There may not be a ready market for the sale of its assets and it may not be possible to issue additional shares or other securities, or the issue of additional shares or other securities if it were to be possible may result in significant dilution to the interests of existing shareholders.

The Company's negative cash flow and limited cash and working capital also means that the Company is not able to invest any significant amount of additional funds in Grapevine or VFM in the event they should need additional funding and this may result in a discontinuance of operations of that particular business or a significant dilution of the Company's investment.

## **Limited Diversification of Investments**

Due to the small size of the Company and the fact that it has only a limited number of investments, the Company is subject to a greater risk of a downturn in one or more of its investments. A concentration of the Company's invested funds in its portfolio of marketable securities, its Grapevine business and its investment in VFM means that in the event that any such business or industry or investment is unsuccessful or experiences a downturn, this will likely have a material adverse effect on the Company's business, results from operations, and financial condition. It also means that the Company is more exposed to business cycles than it would be if it owned a larger number of investments which were diversified over various industries with differing business cycles in different geographic areas.

## **Dependency on Private Company Operations**

The Company owns a 4.4 % equity interest (11.6% fully diluted) in VFM which is a private company. Due to the small size of its equity investment the Company does not have any significant influence over VFM or its operations nor does the Company have the ability to exercise control over VFM.

## **Operating Liquidity**

Both the Grapevine business and VFM's business are not fully developed and may continue to require additional funding to continue operations or to develop their business plans until they become self funding. The Company has limited cash resources and is unable to provide any significant amount of additional funding to Grapevine or VFM if it should be required. In such an event, if no other source of funding is available, the operations would have to terminate and it would not be possible for the Company to recover its investment. If an additional source of funding is found, it may result in significant dilution of the Company's investment.

## **Industry Risks**

Each of Grapevine and VFM is subject to the risks inherent in the industry in which it operates. In the case of Grapevine, the business is very dependent on the continued demand for on-line surveys and polls by businesses, particularly those surveys and polls relating to employees, and particularly in North America. In the case of VFM, its business is very dependent on the strength of the hotel segment of the travel industry and the continued use by travellers of on-line services in planning travel and booking hotels. Each business would be adversely affected by a significant downturn in its particular industry segment or a change in the demand by consumers for its products and services.



## **Competition**

Both Grapevine and VFM face intense competition, including competition from other companies with greater financial and other resources, and more advanced technological development. There can be no assurance that they will be able to successfully compete against their respective competitors or that such competition will not have a material adverse effect on their businesses, financial condition, results of operations and cash flows.

## **Effect of General Economic Conditions**

The Company's results of operations in the period prior to 2010 were adversely affected by the global economic downturn and there is a significant risk that global economic conditions or economic conditions in North America will deteriorate again which will have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In the case of both VFM and Grapevine, its products and services represent discretionary expenses to the customers they serve and would be among the most likely expenses to be eliminated if economic conditions deteriorate.

## **Currency Fluctuations**

The majority of the Company's costs are incurred in Canadian dollars and more than half of its revenues are received in U.S. dollars. A deterioration in the value of the U.S. dollar against the Canadian dollar will have a significant negative effect on the Company's revenues, financial condition, results of operations and cash flows. The Company does not use currency derivatives to hedge against adverse currency fluctuations.

## **Legal Claims and Other Contingencies**

Aylen, Grapevine and VFM may become parties to law suits, claims and litigation arising in the ordinary course of business. In 2009 VFM was sued by a competitor in the US claiming breach of US anti-trust laws and claiming damages of \$35 million. While this law suit was settled on a basis favourable to VFM, a similar law suit could threaten the company's ability to continue its operations and the Company's investment in VFM would not be recovered. A company by the name of Pro Search Plus, LLC has initiated an action against VFM in the United States District Court for the Central District of California (the "Pro Search Action"). The Pro Search Action involves an assertion that VFM has engaged in anticompetitive conduct, suppressed competition in the market for the production, management and distribution of visual content and rich media, and possesses a monopoly in that market. The plaintiff in the Pro Search Action seeks relief and damages under various laws of the United States. No specific amount of damages has yet been specified.

Similarly a law suit against Grapevine or the Company could result in significant costs and the outcome of such law suits could have a material negative impact on the Company's financial position, operating results, or the Company's ability to continue to carry on its business activities.

## **Lack of Market for Aylen's Shares**

The Company obtained a receipt dated May 24, 2013 for its Amended and Restated Prospectus dated May 23, 2013 in Ontario and the remaining Canadian provinces, other than Quebec, and thereby obtained "reporting issuer" status in those provinces. The Company is also a reporting issuer in Quebec. The Company intends to apply to the CNSX to list its shares but there can be no assurance that the Company will be able to fulfill all of the listing requirements of the CNSX and that its shares will be listed on the CNSX or indeed on any stock exchange. Even if the Company is successful in obtaining a listing on the CNSX, there may not be a liquid market for the shares and any market price for the shares may not reflect the underlying value of the Company's business and assets.

## ***Internal Controls***

### **Disclosure controls and procedures**

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures.

### **Internal controls over financial reporting**

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's internal controls over financial reporting.

## ***International Financial Reporting Standards***

The Company's financial statements for the second quarter ended June 30, 2013 and for the year ended December 31, 2012 and the comparative information presented in the financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS applicable to the presentation of financial statements.

## ***Future Direction***

The Company intends to continue to grow the revenues of its Grapevine business, and to increase the value of its investment in VFM and its portfolio of marketable securities. The Company does not have the necessary capital to make any additional investments in Grapevine or VFM and it is unable to make any new investments without raising new equity or selling some of its assets and there are no plans at the present time to attempt to raise new capital or sell assets.

## ***Outstanding Share Data***

The Company has authorized an unlimited number of common shares, an unlimited number of Class A common shares and an unlimited number of preferred shares issuable in series. As at June 30, 2013 and at December 31, 2012, there were 16,856,632 common shares issued and outstanding and 1,685,663 common shares reserved for issuance under the Company's stock option plan.

At the date of this MD&A there were 16,856,632 common shares issued and outstanding and 1,585,663 common shares reserved for issuance under the Company's stock option plan.

## ***Other Available Information***

Additional information concerning the Company including its regulatory filings may be found on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

August 28, 2013